

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF: KAPIL S. SHAH)
_____)

FILE NO. 0900337

ORDER OF REVOCATION

TO THE RESPONDENT:

Kapil S. Shah
(CRD#:4409290)
60 Morris Street #2
Jersey City, New Jersey 07302

Kapil S. Shah
(CRD#:4409290)
Newport Coast Securities
4100 Newport Place Suite 630
Newport Beach, California 92660

WHEREAS, the above-captioned matter came on to be heard on February 10, 2010 pursuant to the Notice of Hearing dated December 17, 2009, FILED BY Petitioner Secretary of State, and record of the matter under the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") has been reviewed by the Secretary of State or his duly authorized representative.

WHEREAS, the rulings of the Hearing Officer on the admission of evidence and all motions are deemed to be proper and are hereby concurred with by the Secretary of State.

WHEREAS, the proposed Finding of Fact, Conclusions of Law and Recommendations of the Hearing Officer, James L. Kopecky, Attorney at Law, in the above-captioned matter have been read and examined.

WHEREAS, the proposed Findings of Fact of the Hearing Officer are correct and are hereby adopted as the Findings of Fact of the Secretary of State:

1. The Department served Respondent with a Notice of Hearing on December 17, 2009.
2. The Respondent failed to answer, appear, or submit a responsive pleading.
3. The Respondent did not appear at the Hearing.

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4. That at all relevant times the Respondent was registered with the Secretary of State as a salesperson in the State of Illinois pursuant to Section 8 of the Act.
5. That on July 6, 2009, FINRA entered an Order Accepting Officer of Settlement ("Order") regarding Disciplinary Proceeding No. 2006003684703 in which the Respondent was sanctioned as follows:
 - a. Suspended in all capacities for 20 business days; and
 - b. Fined \$10,000.
6. That the Order found that Respondent and his partner GV were the largest producers at Carlton Capital in 2006 and their customers were primarily Indian doctors. Tape recordings produced by Carlton Capital revealed that Respondent had promised unrealistic returns to five of his customers and made an improper price prediction to one of those customers.

Customer SD:

7. That in a telephone call with Customer SD on February 22, 2006, the Respondent represented that, if SD gave him permission to "day trade" the account "with \$100,000 worth of stock every day," the Respondent could deliver a return of \$1,000 to \$1,500 per day.
8. With approximately 250 trading days in a year, this would represent an annual gain of 250 to 375 percent.
9. The Respondent also stated that, "I have other people that I do it for them." In the telephone call, SD declined to give the Respondent day trading authority. The Respondent had never separated out the day-trading activity of his other customers from their "regular" trades to calculate whether or not day trading had been a successful strategy.

Customer AP:

10. In a telephone call with Customer AP on March 20, 2006, the Respondent predicted that AP should make \$75,000 to \$80,000 in ten weeks "easily," and "at least \$100,000" in gains in the next three months.
11. AP had net assets of approximately \$955,400 in his largest and most active account with Carlton Capital at the end of March 2006. Three months later, at the end of June, AP's large account had net assets of approximately \$634,400 – a loss of approximately \$321,000 or 33.6 percent.

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12. No money was withdrawn or added during the three month period. Approximately \$29,000 of the \$321,000 loss was from margin interest.
13. The S&P 500 Index was down approximately two percent over that three month period.

Customer MN:

14. To comfort Customer MN for losses in his account, the Respondent suggested in a telephone call on March 13, 2006 that he could take MN's account from 77 to 78 thousand dollars up to 85 to 90 thousand dollars by the end of the month, stating that "My idea is to at least take it up to 85 to 90 by the end of this month. 85, 90 thousand dollars I'm trying to take it up to."
15. With fourteen business days left in March, such a gain would represent a 160 to 240 percent return on an annualized basis.
16. In a telephone call with MN a week later, on March 20, 2006, the Respondent made a specific price prediction for the stock of Shanda Interactive Entertainment, LTD. The Respondent stated that he was "very positive" that the stock, of which MN owned 3,000 shares would go from approximately \$13.90 to "at least" \$15.00 in "a week or so," giving MN a gain of "around six and a half thousand dollars."
17. An increase in price to \$15.00 would represent a gain of approximately eight percent in "a week or so." In fact, Shanda Interactive Entertainment closed at \$14.31 a week later and \$14.13 ten days later and never traded higher than \$14.55 in the six weeks following March 20, 2006. The stock closed at \$12.36 on the last trading day of April 2006.

Customer RS:

18. In a telephone call with Customer RS on March 15, 2006, the Respondent stated that RS "should have 20, 25 thousand dollars back in gains for the account" by the end of the month. Such a gain would represent a return of well over 250 percent on an annualized basis.

Customer SS:

19. In a telephone call with Customer SS on March 15, 2006, SS complained of losses. In an effort to placate SS and solicit more money, the Respondent stated that he is "very confident" that he can make the money back for the customer, and stated: "If you can send me another \$20,000. We have at least \$23,000. Every month I think I can do you at least, make you back at least like two to three thousand dollars, Doctor. Trust me, I'm very positive that I'll be able to do it."
20. A return of \$2,000 to \$3,000 per month on an investment of \$43,000 would represent an annual gain of approximately 56 to 84 percent.

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21. The Respondent had no reasonable basis for his price prediction or promises of unrealistic returns. The Respondent's price prediction and promises of unrealistic returns were material. Accordingly, the Respondent misrepresented or omitted material facts in his conversations with customers.

WHEREAS, the proposed Conclusions of Law made by the Hearing officer are correct, they are hereby adopted as the Conclusions of Law of the Secretary of State:

1. The Department properly served the Notice of Hearing on Respondent.
2. The Notice of Hearing included the information required under Section 1102 of the Code.
3. The Secretary of State has jurisdiction over the subject matter pursuant to the Act.
4. Because of Respondent's failure to file a timely answer, special appearance or other responsive pleading in accordance with Section 13.1104:
 - (a) the allegations contained in the Notice of Hearing are deemed admitted;
 - (b) Respondent waived his right to a hearing;
 - (c) Respondents is subject to an Order of Default.
5. Because the Respondent failed to appear at the time and place set for hearing, in accordance with Section 130.1109, he:
 - (a) waived his right to present evidence, argue, object or cross examine witnesses; or
 - (b) otherwise participate at the hearing.
6. That Section 8.E(1)(j) of the Act provides, inter alia, that the registration of a salesperson may be revoked if the Secretary of State finds that such salesperson has been suspended by any self-regulatory organization registered under the Federal 1934 Act or the Federal 1974 Act arising from any fraudulent or deceptive act or a practice in violation of any rule, regulation or standard duly promulgated by the self-regulatory organization.
7. That FINRA is a self-regulatory organization as specified in Section 8.E(1)(j) of the Act.
8. That by virtue of the forgoing Findings of Fact and Conclusions of Law, the Respondent's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(j) of the Act.

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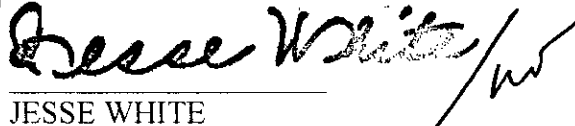
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WHEREAS, the Hearing Officer recommended that the Secretary of State should REVOKE respondent KAPIL S. SHAH registration as a Sales Person in the State of Illinois and the Secretary of State adopts the Hearing Officer's recommendation:

NOW THEREFORE, IT SHALL BE AND IS HERBY ORDERED THAT:

1. Respondent's registration as a salesperson in the State of Illinois is REVOKED.

DATED: This 9th Day of MARCH, 2010

A handwritten signature in black ink, appearing to read "Jesse White", followed by a large, stylized flourish or mark.

JESSE WHITE
Secretary of State
State of Illinois

Daniel Tunick
Attorney for the Secretary of State
Illinois Securities Department
69 West Washington Street
Chicago, Illinois 60602
312-793-4433

Notice: Failure to comply with the terms of this Order shall be a violation of the Section 12.D of the Act. Any person or entity who fails to comply with the terms of this Order of the Secretary of State, having knowledge of the existence of the Order, shall be guilty of a Class 4 felony.

This is a final order subject to administrative review pursuant to the Administrative Review Law, [735 ILCS 5/3-101 et. seq.] and the Rules and Regulations of the Illinois Securities Act, [14 ILL. Admin. Code Ch. I, Section 130.1123]. Any action for Judicial Review must be commenced within thirty-five (35) days from the date a copy of this Order was served upon the party seeking review.